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17 April 1974

BRIEFING NOTE FOR THE DIRECTOR

SUBJECT: The Renegotiation Board - Air America

1. Some months ago The Renegotiation Board contacted Air America, requesting that Air America file appropriate statistics with the Board for the years 1967 through 1973. The Board is aware of Air America's ownership, and prior to 1967 it routinely granted Air America exemptions from the filing and renegotiation process, which were fully authorized under applicable law.

2. We contacted the Board after it approached Air America last year, and we argued, in writing on a classified basis, for an exemption on the basis that Air America was Government owned and that renegotiation procedures ultimately served no useful purpose. The Board did not agree, pointing out it believed that under the law it was required to look into the matter and to develop a proper record. Thus, it required Air America to comply with filing requirements. We had hoped that once the Board examined the figures it would make a determination that it need go no further.

3. On April 4, 1974, however, the Board forwarded a report to Air America, advising it that the profits subject to renegotiation for the years 1967 through 1973 totaled \$14,400,000. Clearly, the Board intends to go forward with renegotiation

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procedures, but at this time we are unable to even guess at the amounts it might claim should be returned to the Treasury. The procedures will be time consuming and will require considerable effort by Air America employees who are otherwise fully seized with the problem of winding down the airline's affairs, including matters involving Air Asia, which we are trying to sell as a separate entity. Also, employees of the Board will expend considerable time and effort in the procedures.

4. Looking at the over-all picture, it appears that no useful purpose is served by these procedures, since ultimately the U. S. Government is the recipient of all funds. Further, the situation in 1967 through 1973 did not differ from that in earlier years when the Board granted exemptions. On the other hand, the Board feels that in the atmosphere in Washington today it wants a full record that it has acted properly under law.

5. Hopefully, Mr. Ash might agree with our position. Furthermore, there is a distinct possibility that the \$20,000,000 from Air America which is intended as an offset in our appropriation will not be fully available if the procedures are carried out.

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